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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

SEP 16 1971

CIVIL DIVISION



Dear Admiral Bender:

We have completed an examination at Coast Guard Headquarters, Washington, D.C. of a statistical sample of Coast Guard military pay records closed during the period January 1 to June 30, 1970. The examination included a review of 266 pay records of Coast Guardsmen on active duty during the period.

We found that there were 72 errors amounting to about \$1,035 contained in 65 of the 266 pay records included in our sample. A statistical projection of the results of our examination indicates that there may have been about 10,450 errors amounting to an estimated \$151,800 contained in the pay records of the 38,567 members on active duty as of June 30, 1970. More specifically, our computations showed that there was a 95-percent probability that (1) the number of errors in the pay records ranged from about 3,000 to about 12,800 and was more likely to be about 10,450 and (2) the probable dollar amount of these errors ranged from about \$53,500 to about \$250,000 and was more likely to be about \$151,800. A summary of the types and frequency of the errors found is contained in Attachment I.

During the course of our examination we reported our findings in detail to the Coast Guard Payments and Claims Division so that corrective action could be initiated promptly. That Division has taken corrective action on all errors reported.

We also examined the pay records of those members among the 266 in our sample who received reenlistment and variable reenlistment bonuses prior to January 1, 1970. This review disclosed two members who were paid bonuses for greater amounts than they were entitled. These cases and the actions taken by the Payments and Claims Division are discussed in Attachment II.

Our examination did not include an overall evaluation of Coast Guard's payroll operations since we considered only those records available at Headquarters. We plan to initiate a review

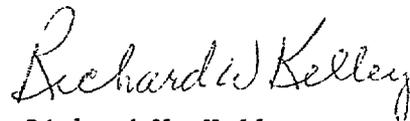
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of pertinent source documents in the field in the near future. We are currently examining pay records available at Headquarters of those members separated from active duty during the six month period ended December 31, 1970, and we plan to report to you on the results of this examination.

We appreciate the cooperation and courtesies extended to us by Headquarters officials during our examination. We would appreciate your advice as to any actions the Coast Guard plans to take to reduce the incidence of the types of errors discussed in this letter.

Sincerely yours,



Richard W. Kelley  
Assistant Director

Admiral Chester R. Bender  
Commandant  
The Coast Guard

Attachments

SUMMARY OF ERRORS

SAMPLE OF 266 MILITARY PAY RECORDS

<u>Type of Error</u>	<u>Number</u>	<u>Overpayment</u>	<u>Underpayment</u>	<u>Total</u>
Federal income tax incorrectly withheld (a)	45	\$ 383.93	\$ 94.95	\$ 478.88
FICA tax computed incorrectly	3	2.05		2.05
Basic allowance for quarters incorrectly recorded	1		45.00	45.00
Sea duty incorrectly recorded	5	3.60	8.80	12.40
Foreign duty incorrectly computed	2	.80		.80
Incorrect number of days entitled to leave rations	1	4.17		4.17
Incorrect determination of entitlement of basic and standard maintenance clothing monetary allowances	4	56.06	10.80	66.86
Basic allowance for subsistence and commuted rations incorrectly computed	2		10.14	10.14
Overwithheld allotment	1		1.00	1.00
Proficiency pay awarded before member had met eligibility requirements (b)	1	308.00		308.00
Member paid family separation allowance while on leave and proceed time	1	34.00		34.00
Base pay incorrectly computed (c)	3	17.77	53.90	71.67
Taxable income incorrectly computed (d)	3	-	-	-
	<u>72</u>	<u>\$810.38</u>	<u>\$224.59</u>	<u>\$1,034.97</u>

- (a) Withholding of Federal income tax errors included cases where (1) no amounts or incorrect amounts were withheld from retroactive pay increases, (2) sea duty was not included as income for withholding tax computation purposes, and (3) no amounts were withheld on taxable income.
- (b) Proficiency pay was awarded before the member met the eligibility requirement of demonstrating superior performance in assignment for a minimum period of 6 months.
- (c) Errors in base pay were (1) failure to reduce pay for being AWOL, (2) rate of pay not increased when promoted, and (3) wrong pay base used for computation of retroactive pay adjustment.
- (d) Consists of an overstatement of \$847.32, and understatements totaling \$181.00.

INFORMATION ON OVERPAYMENTS  
OF REENLISTMENT AND VARIABLE REENLISTMENT BONUSES

Case 1

A member was paid a reenlistment bonus by the Air Force in 1956. He subsequently enlisted in the Coast Guard and after completing his initial enlistment, reenlisted in October 1966 and was awarded a reenlistment bonus and a variable reenlistment bonus.

The amount of the reenlistment bonus paid the member was incorrect because the Coast Guard did not consider the prior reenlistment bonus paid by the Air Force in the bonus computation as required by 37 U.S.C. 308(a). Also, the member was not entitled to the variable reenlistment bonus since he did not meet the requirements of 37 U.S.C. 308(g). At the time of our review, the member was overpaid \$4,175.75 and had not been paid \$666.67 representing the remaining installment of the variable reenlistment bonus.

We reported this matter to the Payments and Claims Division. A pay adjustment was authorized against the member's pay. In April 1971, the Coast Guard approved the member's request for remission of indebtedness.

Case 2

An enlisted member entered Officer Candidate School (OCS) in September 1966 and was awarded a reenlistment and variable reenlistment bonus. He was paid \$305.40 for the first installment of the variable bonus in October 1966. This member had been selected to attend OCS prior to the date of his reenlistment. Inasmuch as the purpose of the variable reenlistment bonus is to provide the services with the continued use of enlisted men who possess certain critical skills, we believe that the bonus payment was improper.

A Comptroller General's decision dated February 8, 1968, (47 Comp. Gen. 414), states that the variable reenlistment bonus is not authorized to enlisted members who are selected for college training under the Navy Enlisted Scientific Education Program or other similar programs and who reenlist for the purpose of meeting the obligated service requirements for such training. The decision states further that in view of an apparent misunderstanding by the military departments of the proper application of a previous Comptroller General's decision regarding the subject, we would not question bonus payments otherwise correct that were made incident to such reenlistments. However, the decision required that further payments, including yearly installments for such reenlistments already entered into, were to be promptly discontinued.

BEST DOCUMENT AVAILABLE

Since this variable reenlistment bonus was paid prior to 47 Comp. Gen. 414, dated February 9, 1968, we did not request that collection action be initiated. However, we alerted the Payments and Claims Division to the need to comply with the decision in the future. Also, the Division agreed to review the pay records of all members who attended OCS subsequent to the effective date of the decision in order to determine whether any variable reenlistment bonuses were improperly awarded.